

Message Text

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ACTION EB-08

INFO OCT-02 EUR-12 EA-10 IO-13 ISO-00 STRE-00 AID-05

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FM USMISSION GENEVA

TO SECSTATE WASHDC 5104

INFO AMEMBASSY BRUSSELS

AMEMBASSY PARIS

AMEMBASSY STOCKHOLM

AMEMBASSY TOKYO

C O N F I D E N T I A L SECTION 01 OF 02 GENEVA 01106

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E.O. 11652: GDS

TAGS: ETRD

SUBJECT: STEEL: EC PROPOSALS AND OECD AD HOC GROUP

1. STATE DAS BARRACLOUGH MET JANUARY 24 WITH TAKAHASHI OF JAPANESE MITI AND ERIC BELFROGE OF SWEDISH MEA TO DISCUSS EC'S PROPOSED ACTIONS ON STEEL AND SCENARIO FOR NEXT MEETING OF THE OECD'S AD HOC GROUP ON STEEL ON OCCASION THEIR ATTENDANCE AT MTN TARIFF OFFER MEETING.

2. IN DISCUSSION WITH TAKAHASHI, THE FOLLOWING SCENARIO FOR MEETINGS ON STEEL SITUATION THE WEEK OF FEBRUARY 13 WAS WORKED OUT, SUBJECT TO CONFIRMATION BY RESPECTIVE CAPITALS AND CONCURRENCE OF EC:

- MONDAY, FEBRUARY 13, A LATE AFTERNOON OR EARLY

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EVENING BILATERAL WITH JAPANESE IN BRUSSELS

- MORNING OF TUESDAY, FEBRUARY 14, A TRILATERAL MEETING IN BRUSSELS TO REVIEW STEEL SITUATION AND COMPATIBILITY OF ACTIONS BY US, EC AND JAPAN. THE OECD SECRETARIAT WOULD NOT ATTEND.

- AFTERNOON OF TUESDAY, FEBRUARY 14, CONTINUATION OF THE TRILATERAL WITH OECD SECRETARIAT PRESENT TO DISCUSS PREPARATIONS FOR AD HOC GROUP MEETING AND NEXT STEPS IN THE OECD.

- WEDNESDAY, FEBRUARY 15, PLENARY AD HOC STEEL GROUP MEETING IN PARIS, MORNING AND AFTERNOON SESSIONS. BARRACLOUGH STRESSED THAT THE US SIDE HAD SCHEDULING PROBLEMS WHICH REQUIRED THAT IT DEPART PARIS ON THURSDAY, FEBRUARY 16.

3. TAKAHASHI SAID THAT GOJ HAD ALREADY HAD "EXPERT" DISCUSSIONS WITH THE EC ON THE EC'S STEEL PLAN. THESE WERE TO BE FOLLOWED UP BY A VISIT OF COMMISSION OFFICIAL BEN MEYWELL TO TOKYO ON FEBRUARY 10 (I.E., AFTER THE FEBRUARY 7 EC COUNCIL MEETING). BARRACLOUGH NOTED THAT THIS LEFT ONLY ONE DAY FOR SUCH TALKS IN TOKYO WITH MEYWELL IF WE PROCEEDED ON THE SCENARIO SET OUT ABOVE, JOKINGLY ADDING HIS SURPRISE THAT EC AND JAPAN COULD REACH AGREEMENT IN ONE DAY. TAKAHASHI DID NOT FIND THE REMARK FUNNY. HE SAID JAPAN HAD SERIOUS CONCERNS OVER THE EC'S PROPOSALS SINCE THEY WENT BEYOND WHAT HAD BEEN AGREED AT THE LAST OECD MEETING. JAPAN WAS PARTICULARLY CONCERNED OVER THE POTENTIALLY RESTRICTIVE QUANTITATIVE ASPECTS OF THE EC'S SECOND STAGE PROPOSALS.

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4. BARRACLOUGH NOTED THAT WE ALSO HAD EXPRESSED SOME CONCERNS TO THE EC AND BRIEFLY OUTLINED THE POINTS US DELEGATION MADE IN BRUSSELS JANUARY 11-12. REGARDING THE NEXT OECD AD HOC GROUP MEETING, BARRACLOUGH SAID WE ENVISAGED COVERING THE FOLLOWING POINTS: (A) STATUS OF INFORMATION GATHERING SYSTEM, (B) INITIAL DISCUSSIONS OF THE FUTURE SUPPLY/DEMAND FORECASTS FOR STEEL AND THEIR IMPLICATIONS FOR CAPACITY ADDITIONS OR DELETIONS, (C) A "SHOW AND TELL" BY THE US AND THE EC, AND (D) WHAT NEXT FOR THE AD HOC GROUP ON THE SHORTER-TERM STEEL SITUATION. ON THE LATTER, HE INDICATED THAT WE HAD NO CLEAR IDEAS AS YET, BUT WE WERE CAUTIOUS ABOUT ANY ATTEMPT TO "RE-DEFINE" OR "ELABORATE" THE CONCLUSIONS OF THE LAST OECD MEETING IN A MANNER WHICH SOUGHT TO JUSTIFY ACTIONS WHICH WE DID NOT APPROVE. HE NOTED THAT WE WERE UNDERSTANDING AND EVER SYMPATHETIC TO THE EC COMMISSION'S ECONOMIC AND POLITICAL PROBLEMS IN STEEL AND IN NO WAY WANTED TO COMPLICATE THE COMMISSION'S DIFFICULTIES THROUGH A PUBLIC DEBATE IN THE OECD OR OTHERWISE. THIS MADE A CANDID AND FRANK DISCUSSION TRILATERALLY ALL THE MORE IMPORTANT, NOT ONLY TO ENSURE THAT WE WERE NOT AGGRAVATING EACH OTHER'S PROBLEMS BUT SO THAT WE AVOIDED A PUBLIC DEBATE. HE SUGGESTED WE WOULD WELCOME ANY IDEAS

FROM JAPAN ON HOW WE COULD MANAGE THIS PROBLEM IN THE AD HOC GROUP WITHOUT AT THE SAME TIME BLESSING ACTIONS WHICH WE BOTH BELIEVE WERE FUNDAMENTALLY MOVING IN THE WRONG DIRECTION. HE SAID A MAJOR CONCERN WE HAD WITH THE EC'S PROPOSALS WAS THE IMPLICATIONS THEY HAD FOR THE VIABILITY OF OUR TRIGGER PRICE MECHANISM (TPM). IT WAS NOT IN OUR NOR JAPAN'S INTEREST FOR THE TPM TO FAIL SINCE WE WOULD THEN BE RIGHT BACK TO FACING ALL THE PROBLEMS WE HAD SOUGHT TO AVOID.

5. TAKAHASHI SAID THAT THE GOJ UNDERSTOOD THAT OUR DECI-

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SION TO ADOPT A TPM HAD HAD POLITICAL ASPECTS AND WAS DESIGNED TO AVOID POTENTIALLY WORSE SOLUTIONS. THEY HAD CONVINCED THEIR INDUSTRY TO GO ALONG ON THIS BASIS. THEY WERE CONCERNED THAT NOTHING HAPPEN TO DISRUPT THIS SITUATION.

6. BARRACLOUGH ALSO MET WITH ERIC BELFROGE OF THE SWEDISH FOREIGN MINISTRY WHO IS WORKING ON SWEDEN'S REACTION TO THE STEEL PROPOSALS OF THE EC. BELFROGE CONFIRMED THAT EC COMMISSION OFFICIALS HAD MET WITH SWEDISH OFFICIALS (AND APPARENTLY OTHER EFTA COUNTRIES) AND SOUGHT THEIR AGREEMENT

TO APPLY THE EC'S INTERNAL GUIDE PRICES LESS SOME AGREED-UPON PERCENTAGE. (APPARENTLY THE 6-7 DIFFERENCE THE EC INTENDS TO MAINTAIN BETWEEN THE AGREED RESTRAINT PRICES AND THEIR GUIDE PRICES). THE EC DID NOT, HE SAID, ASK SWEDEN FOR ANY QUANTITATIVE UNDERSTANDINGS. MR. BELFROGE
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SAID SWEDEN HAD NO MAJOR "ECONOMIC" PROBLEMS WITH THE EC PROPOSAL. BUT THEY WERE QUITE CONCERNED OVER THE EC'S ATTEMPT TO INTERPRET UNILATERALLY THE TERMS OF THAT PART OF THE EC-EFTA AGREEMENT REGARDING THE ECSC. EFTA IS OBLIGED, HE SAID, ONLY TO RESPECT EC MINIMUM PRICES (NOT GUIDE PRICES) UNDER THAT AGREEMENT. MINIMUM PRICES COVERED ONLY A SMALL PART OF THE EC'S PRODUCTION. THE EC'S ATTEMPT TO EXTEND THIS BY INTERPRETATION TO THEIR GUIDE PRICES WAS A SERIOUS ISSUE OF PRINCIPLE FOR SWEDEN.

8. BARRACLOUGH NOTED OUR CONCERNS OVER THE EC'S PROPOSALS FOR ITS SECOND STAGE, INCLUDING THE POSSIBLE PROLIFERATION OF BILATERALS WHICH MIGHT, IN EFTA'S CASE, LEAD THEM IN TURN TO THE MEASURES AT THEIR BORDERS. BELFROGE SAID THAT SWEDEN WOULD PROBABLY NOT HAVE TO TAKE UNILATERAL ACTION REGARDING IMPORTS EVEN IF IT AGREES TO APPLY THE EC'S GUIDE PRICES IN SWEDEN. SINCE THEIR PRODUCTION WAS MAINLY IN SPECIALTY STEELS, THIS MINIMIZED THE PROBLEM. IN ADDITION, SWEDEN ALREADY HAD AN "UNDERSTANDING" WITH JAPAN REGARDING JAPANESE RESTRAINT FOR CERTAIN PRODUCTS AND HAD A SIMILAR, ALTHOUGH LESS EFFECTIVE, "UNDERSTANDING" WITH SPAIN. THE LATTER WAS THE ONLY PROBLEM THEY WOULD FORESEE. THESE WERE INDUSTRY-TO-INDUSTRY UNDERSTANDINGS WHICH THE GOS, HE SAID, KNEW LITTLE ABOUT.

9. BELFROGE SAID SWEDEN APPRECIATED OUR EFFORTS TO WORK OUT THE SPECIAL PROBLEMS OF SWEDEN FOR SPECIALTY STEELS UNDER OUR TRIGGER PRICE MECHANISM. INDEED, THEIR INDUSTRY WAS BASICALLY QUITE PLEASED WITH THE TPM ALTHOUGH THEY WERE ALSO LOOKING INTO THE TRANSPORTATION ISSUE RAISED WITH US BY THE EC.

10. THE DISCUSSION OF THE SCENARIO FOR THE NEXT OECD
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AD HOC GROUP MEETING WITH BELFROGE DID NOT DIFFER ESSENTIALLY FROM THE DISCUSSION NOTED ABOVE WITH TAKAHASHI. VANDEN HEUVEL

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